

T-923

Status Report to the Court Number Thirteen

**For the Period
January 1, 2003 through March 31, 2003**



May 1, 2003

STATUS REPORT TO THE COURT NUMBER THIRTEEN

May 1, 2003

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I. INTRODUCTION

This *Status Report to the Court Number Thirteen* (Report) represents the period of January 1, 2003, through March 31, 2003. The Report is filed in order to comply with the ruling of the Court directing the Department of the Interior (Interior) to keep the Court informed of the progress of Interior's trust reform activities and progress toward a historical accounting of individual Indian monies held in trust by the United States.¹

During this reporting period, several significant advances in trust improvement activities were made. These include the development of a high-level trust training course presented to upper Interior management. The training course was designed by the Cannon Financial Institute, a leading commercial trust training organization. Other significant accomplishments include 1) completion of the Court-ordered Fiduciary Obligations Compliance Plan and Historical Accounting Plan for Individual Indian Money Accounts, 2) completion of the Comprehensive Trust Management Plan, 3) completion of the "As-Is" study, prepared in conjunction with a contractor, which details how trust business processes are now being performed at the twelve Bureau of Indian Affairs (BIA) Regions and 4) creation of a Trust Executive Steering Committee chaired by the Deputy Secretary consisting of the trust executive leadership of Interior, including Associate Deputy Secretary, Assistant Deputy Secretary, Acting Assistant Secretary-Indian Affairs, Acting Special Trustee for American Indians, Director, Congressional Affairs, and Chief Information Officer. Significant new funding was released with the FY2003 appropriations. The Special Trustee nominee, Ross Swimmer was voted out of the Senate Indian Affairs Committee and, during the preparation of this Report, was confirmed by the Senate.

A major milestone during this reporting period was the final work toward the reorganization of the BIA and the Office of the Special Trustee for American Indians (OST). The related changes to the Departmental Manual are expected to be completed during the next reporting period, and all steps necessary to complete the reorganization should well underway. The central theme of the reorganization, insofar as the trust operations are concerned, is the consolidation within the BIA and OST of the various trust functions each performs so that employees will know when they are working on fiduciary trust issues. The oversight by OST will be increased through the inclusion of fiduciary trust officers and trust administrators in OST to support efforts to provide beneficiary services and ensure that trust operations are being well-managed throughout Interior. Trust Officers will be of direct assistance to BIA Deputy Superintendents in meeting with trust beneficiaries, answering inquiries and helping to resolve beneficiary issues.

With the completion of the "As-Is" study, the work of reengineering the trust business processes will now begin. The "To-Be" reengineering of fiduciary trust business processes is anticipated to continue during the next two years. This effort should result in more streamlined business processes that will support improved delivery of fiduciary trust services to beneficiaries and more accountability. As the trust business processes are reengineered, policies, procedures,

¹ This Report contains information on the broad trust reform efforts underway at Interior. Accordingly, it may include information on reform efforts that are not within the scope of the *Cobell* litigation.

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Delays and Obstacles

Six BIA Regions remain to be trained on the SDA Document Preparation and Encoding procedures. Compliance is expected to increase once training is completed at the end of June 2003.

Until all agencies in the Great Plains Region install the revised programmed changes of the lease distribution module in the Management Accounting and Distribution System (MADS), there will be discrepancies in the funds distributed to beneficiaries. The programming changes will allow MADS to generate a detailed breakout of lease and allotment information, as required by the SDA Document Preparation and Encoding Procedures, which can then be given to OTFM staff for coding into TFAS. It is anticipated that the programming changes will be implemented prior to CY2004.

Additionally, six of the agencies at the Great Plains Region do not use the interest calculation module in MADS, thereby leaving undistributed interest in SDA. Because only principal collections are paid out, manual adjustments to accounts will be required. Great Plains expects to have the interest program installed across the region by the end of June 2003.

5. Small Balance Accounts

As of March 31, 2003, there were 19,531 accounts that have a \$.01 - \$1.00 balance with no activity for the previous 18 months. The total sum included in those accounts is \$5,725.54. TFAS currently holds these small dollar accounts, for which OST is exploring options to find a more cost-effective remedy to maintain these accounts relative to the account balance. At current interest rates, it is approximated these accounts, on average, will earn less than one cent/year.

OST is working with the Office of the Solicitor (SOL) to reconcile the statutory obligation to earn interest with the technical inability at present to allocate interest earnings of less than \$0.01 to the respective accounts. In the next reporting period, OST and SOL expects to develop an options paper identifying potential legislative and/or administrative resolutions of this matter.

6. Accounting Discrepancies

The historical differences between the Department of the Treasury (Treasury) and Interior regarding several account balances affecting both IIM and Tribal trust funds were cleared effective March 31, 2003. After reviewing issue papers regarding the nature of the historical differences, Treasury processed adjustments to the account balances maintained in their systems to conform to audited asset balances for IIM and Tribal trust funds maintained by OST. This adjustment should be confirmed during the next reporting period.

OST has an extensive daily and monthly reconciliation process in place to make certain that all transactional reporting to Treasury is accurate and that any differences are researched and

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corrected by the next accounting period. There have been no known uncorrected differences between Treasury and OST since at least June 30, 1998. The current process ensures, on a continuing basis, that all differences are corrected in a timely manner.

Efforts continue to resolve the nearly \$6 million difference between the subsidiary account ledger and the IIM investment pool. The solution will likely require an appropriation from Congress. Senior Interior management is investigating any additional possibilities for resolution.

Prior to conversion to TFAS, and as previously identified in the High Level Implementation Plan, a number of accounting discrepancies existed and need to be researched. Some of these discrepancies may impact individual accounts. These discrepancies will be prioritized during the next reporting period.

Assurance Statement

I believe that the information provided by me in the Current Accounting Activities section of the *Status Report to the Court Number Thirteen* is an objective and informative analysis of that project as of March 31, 2003. My belief is based on my knowledge and review of credible evidence.

Date: April 25, 2003

Name: *Signature on File*
Dianne M. Moran
Trust Operations Officer

Date: April 25, 2003

Name: *Signature on File*
Helen Riggs
Project Manager

I believe that the information provided by me in the Accounting Discrepancies section of the *Status Report to the Court Number Thirteen* is an objective and informative analysis of that project as of March 31, 2003. My belief is based on my knowledge and review of credible evidence.

Date: April 25, 2003

Name: *Signature on File*
Michael Fansler
Program Analysis Officer